

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 L-03 FRB-01 OMB-01 ITC-01 SP-02 USIA-15

AGR-10 AID-05 CIAE-00 COME-00 EB-07 INR-07 IO-11

LAB-04 NSAE-00 SIL-01 STR-04 TRSE-00 CIEP-02 CEA-01

/086 W

----- 031220

R 061345Z MAR 76

FM AMEMBASSY LA PAZ

TO SECSTATE 9910

INFO AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY SANTIAGO

UNCLAS LA PAZ 1855

LIMA FOR FULLMER

E.O. 11652: N/A

TAGS: BEXP, ECIN, BL

SUBJ: ANCOM COMMON MINIMUM EXTERNAL TARIFF (CMXT)

REF: STATE 8327#

1. REGRET DELAY IN RESPONSE TO REFTEL. AS DEPARTMENT AWARE, MUCH CONFUSION PRESENT IN ANDEAN PACT MEMBERS RESULTING FROM DISAGREEMENTS AS TO HOW TO PROCEED WITH COMMON MINIMAL EXTERNAL TARIFF (CMXT); AND PACT'S COMMERCIAL POLICY IN GENERAL. TECHNICAL DIFFICULTIES WITH IMPLEMENTATION OF CMXT ARE ALSO TIED TO PROBLEMS SURROUNDING SECTORAL PROGRAMS OF INDUSTRIAL DEVELOPMENT AND THE LACK OF CONSISTENCY IN INDIVIDUAL MEMBER COUNTRIES REGULATIONS GOVERNING IMPLEMENTATION OF DECISION 24.

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2. CMXT/CXT: DECISION TO HAVE BEEN TAKEN

DECEMBER 31, 1975 WAS TO MOVE TARIFFS OF THE FOUR PRINCIPLE PACT MEMBERS -- VENEZUELA, COLOMBIA, CHILE AND PERU -- TO COMMON MINIMAL EXTERNAL TARIFF (CMXT) AS FIRST STEP TOWARD COMMON EXTERNAL TARIFF (CXT), TO HAVE PROCEEDED IN FIVE ANNUAL LINEAR STEPS BEGINNING DECEMBER 31, 1975 AND TO HAVE BEEN COMPLETED DECEMBER 31, 1980. DURING FIVE YEAR PREPARATION PERIOD MENTIONED PARA ONE REFTEL, PRINCIPLES CITED WERE TO: A) REMOVE TARIFFS ON ITEMS COVERED IN FIRST SECTION OF LAFTA'S COMMON LIST AND, B) BEGIN ALIGNING TARIFF SCHEDULES FOR MOVEMENT TO CMXT BY 10 PERCENT ANNUAL REDUCTIONS. FOR BOLIVIA AND ECUADOR, "EXEMPTIONS" WERE GRANTED ON SPECIFIC ITEMS -- 350 FOR BOLIVIA, AND 600 FOR ECUADOR -- IN ORIGINAL TREATY OF CARTAGENA. EXEMPTIONS CONSIST OF FIVE YEAR GRACE PERIOD IN MEETING OBLIGATIONS OF CMXT AND CXT. THUS, BOLIVIA WAS NOT TO BEGIN MOVEMENT TOWARD CMXT ON EXEMPTED ITEMS UNTIL DECEMBER 31, 1976, AND TOWARD CXT ON DECEMBER 31, 1980. AS ORIGINALLY PLANNED, CXT FOR ALL PACT MEMBERS, AS WELL AS REDUCED TARIFFS AMONG THEM, SCHEDULED FOR DECEMBER 31, 1985.

3. THE DECISION ON CMXT DUE DECEMBER 31, 1975 WAS NOT TAKEN AS NOTED. GOB OFFICIALS INFORM US THE PACT JUNTA IS MOVING TOWARD CONSENSUS ON TAKING NO FURTHER ACTION ON CMXT OR OTHER PACT INTEGRATION MECHANISMS UNTIL "TECHNICAL DIFFICULTIES" ARE RESOLVED. A DELAY OF ONE TO TWO YEARS IN IMPLEMENTING CMXT SEEMS LIKELY.

4. IN RESPONSE TO SPECIFIC QUESTIONS REFTEL, BOLIVIA NOT REQUIRED TO BEGIN MOVING TARIFF SCHEDULES ON 350 "EXEMPTED" ITEMS UNTIL DECEMBER 31, 1976. GIVEN ROLLBACK IN DEADLINES DESCRIBED PARA THREE, THIS DEADLINE MAY ALSO BE RESCHEDULED. TO DATE BOLIVIA HAS ALTERED ITS TARIFF SCHEDULES ONLY ON CERTAIN ITEMS IN THE METALWORKING SECTOR UNCLASSIFIED

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ASSIGNED TO THEM UNDER THE SECTOR PROGRAMS OF INDUSTRIAL DEVELOPMENT, DECISION 57 OF 1972. THE RATES LISTED PARA TWO REFTEL FOR BOLIVIA ARE CORRECT: ON BTN 85. 49. 02. 01 (CHAINSAWS) CURRENT RATES ARE 15 PERCENT. RATES UNDER THE CMXT WOULD BE 60 PERCENT FOR CHAINSAWS AND 65 PERCENT FOR OTHER SAWS. TO OUR KNOWLEDGE, BOLIVIA HAS NOT BEEN ASKED TO APPLY CMST TARIFF

RATES ON PRODUCTS OF IMPORTANCE TO OTHER PACT MEMBERS WITH ONE POSSIBLE EXCEPTION: BOLIVIA APPLIES 60 PERCENT TARIFF ON CERTAIN TYPES OF LIGHT AIRCRAFT PRODUCED IN COLOMBIA. WE UNDERSTAND THIS ACTION RELATED TO SECTOR PROGRAMS FOR INDUSTRIAL DEVELOPMENT FOR WHICH TARIFF RATES ARE TO BE NEGOTIATED APART FROM CMXT OR CXT AGREEMENTS.

5. EMBASSY COMMENT: AT PRESENT BOLIVIA'S CONCERNS VIS A VIS THE ANDEAN PACT DO NOT APPEAR TO BE CENTERED ON TARIFF MATTERS. THIS SITUATION MAY CHANGE WHEN BOLIVIA IS REQUIRED TO COMPLY WITH CMXT AND CXT -- IF DEADLINES ARE NOT ROLLED BACK, CECEMBER 1976. THE MAIN CONCERN EXPRESSED TO US BY GOB OFFICIALS IS OVER SECTOR PROGRAMS FOR INDUSTRIAL DEVELOPMENT. BOLIVIANS FEEL THEY ARE NOT RECEIVING THE EXPECTED BENEFITS OF PACT MEMBERSHIP. SPECIFIC CASE CITED IS DECISION 57 ASSIGNING BOLIVIA SEVERAL PRODUCTS IN METALWORKING SECTOR. GOB OFFICIALS STATE BOLIVIA LACKS CAPACITY TO CARRY OUT THIS OBLIGATION AS MANY RAW MATERIALS WILL HAVE TO BE IMPORTED AND TRANSPORTATION COSTS ARE EXTREMELY HIGH. BOLIVIA WILL SEEK A TRANSPORTATION COMPENSATION FROM THE PACT FOR THIS REASON, AND IS OPTIMISTIC ABOUT RECEIVING IT. HOWEVER, THESE FACTORS AND COUNTRY'S GEOGRAPHY AFFECT BOLIVIA'S CAPACITY TO TAKE FULL ADVANTAGE OF PARTICIPATION IN THE ANDEAN MARKET WITHOUT SHOULDERING CERTAIN ADDED BURDENS TO THE ECONOMY. THE GOB'S ATTITUDE TOWARD ANDEAN PACT REMAINS POSITIVE,
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HOWEVER, AND BOLIVIA IS COMMITTED TO MEMBERSHIP DESPITE CURRENT PROBLEMS.

END COMMENT.
STEDMAN

NOTE BY OC/T: REFTEL NUMBER APPARENTLY INCORRECT.

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